

TOWN OF NORTH HEMPSTEAD  
COMMUNITY DEVELOPMENT AGENCY  
Financial Statements and  
Management's Discussion and Analysis  
December 31, 2008  
(With Independent Auditors' Report Thereon)

TOWN OF NORTH HEMPSTEAD  
COMMUNITY DEVELOPMENT AGENCY

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INDEPENDENT AUDITORS' REPORT

The Board of Directors  
Town of North Hempstead  
Community Development Agency:

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Town of North Hempstead Community Development Agency (the Agency), a component unit of the Town of North Hempstead, New York as of and for the year ended December 31, 2008, which collectively comprise the Agency's basic financial statements as listed in the foregoing table of contents. These financial statements are the responsibility of the Agency's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and aggregate remaining fund information of the Town of North Hempstead Community Development Agency as of December 31, 2008, and the respective changes in financial position for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

As discussed in note 3(i) to the financial statements the Town of North Hempstead Community Development Agency adopted the provisions of Government Accounting Standards Board Statement No. 45 - "Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions" in 2008.

Management's Discussion and Analysis as listed in the foregoing table of contents, is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

*Toski, Schaefer & Co., P.C.*

Williamsville, New York  
May 8, 2009

## TOWN OF NORTH HEMPSTEAD COMMUNITY DEVELOPMENT AGENCY

### Management's Discussion and Analysis

December 31, 2008

The following is a discussion and analysis of the Town of North Hempstead Community Development Agency's (the Agency) financial performance for the year ended December 31, 2008. This section is a summary of the Agency's financial activities based on currently known facts, decisions or conditions. It is also based on both the Agency-wide and fund-based financial statements. The results of the current year are discussed in comparison with the prior year, with an emphasis placed on the current year. This section is only an introduction and should be read in conjunction with the Agency's financial statements, which follow this section immediately.

### FINANCIAL HIGHLIGHTS

- As of December 31, 2008, the Agency had total assets of \$6.476 million, total liabilities of \$2.743 million and net assets of \$3.733 million.
- Total revenue for the year ended December 31, 2008 were \$1.058 million and total expenses were \$790 thousand resulting in an excess of revenues over expenditures of \$268 thousand. This excess was increased by a gain on the sale of property of \$41 thousand.
- Federal Aid revenue was significantly higher, due to an increase in acquisition activity from the prior year.

### OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of two parts: management's discussion and analysis (this section) and the financial statements. The financial statements include two kinds of statements that present different views of the Agency:

- The Agency-wide financial statements that provide both short-term and long-term information about the Agency's overall financial status are the statement of net assets and the statement of activities.
- The fund-based financial statements that focus on individual parts of the Agency, reporting the Agency's operations in more detail than the Agency-wide statements are balance sheet - governmental funds and the statement of revenue, expenditures, and changes in fund balance - governmental funds. These statements attempt to explain how programs were financed in the short term as well as what remains for future spending.
- Reconciliations between the two types of statements are provided to assist in understanding the differences between the two perspectives.

The financial statements also include notes that explain the statements and provide more detailed information.

# TOWN OF NORTH HEMPSTEAD COMMUNITY DEVELOPMENT AGENCY

## Management's Discussion and Analysis, Continued

Table A-1 summarizes the major features of the Agency's financial statements, including the portion of the Agency's activities covered and the types of information contained. The remainder of this overview section of management's discussion and analysis highlights the structure and contents of each of the statements.

Table A-1: Major Features of the Agency-Wide and Fund Financial Statements			
	Agency-Wide Statements	Fund Financial Statements	
		Governmental Funds	Fiduciary Funds
Scope	Entire Agency (except fiduciary funds)	The activities of the Agency that are not proprietary or fiduciary	Instances in which the Agency administers resources on behalf of others
Required financial statements	<ul style="list-style-type: none"> <li>• Statement of net assets</li> <li>• Statement of activities</li> </ul>	<ul style="list-style-type: none"> <li>• Balance sheet</li> <li>• Statement of revenue, expenditures and changes in fund balance</li> </ul>	<ul style="list-style-type: none"> <li>• Balance sheet</li> </ul>
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Cash basis
Type of asset and liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally, assets expected to be used and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both short-term and long-term; funds generally do not contain capital assets
Type of inflow/outflow information	All revenue and expenses during year, regardless of when cash is received or paid	Revenue for which cash is received during the year or soon thereafter; expenditures are recognized when goods or services have been received and the related liability is due and payable	All additions and deductions during the year

# TOWN OF NORTH HEMPSTEAD COMMUNITY DEVELOPMENT AGENCY

## Management's Discussion and Analysis, Continued

### Agency-Wide Statements

The Agency-wide statements report information about the Agency as a whole using accounting methods similar to those used by private-sector companies. The statement of net assets includes all of the Agency's assets and liabilities. All of the current year's revenue and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two Agency-wide statements report the Agency's net assets and how they have changed. Net assets, the difference between the Agency's assets and liabilities, are one way to measure the Agency's financial health or position.

- Over time, increases or decreases in the Agency's net assets are an indicator of whether the financial position is improving or deteriorating, respectively.
- To assess the Agency's overall health, you need to consider additional non-financial factors such as availability of Federal funding.

In the Agency-wide financial statements, the Agency's activities are shown as governmental activities; most of the Agency's basic services are included here.

### Fund Financial Statements

The fund financial statements provide more detailed information about the Agency's funds, focusing on its most significant or "major" funds - not the Agency as a whole. Funds are accounting devices the Agency uses to keep track of specific sources of funding and spending on particular programs.

- Some funds are required by State law.
- The Agency establishes other funds to control and manage money for particular purposes or to show that it is properly using certain revenues (such as Federal grants).

The Agency has two kinds of funds:

- Governmental funds - Most of the Agency's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps the reader determine whether there are more or fewer financial resources that may be spent in the near future to finance the Agency's programs.

- Fiduciary funds - The Agency may be the trustee or fiduciary for assets that belong to others. The Agency is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong. The Agency excludes these activities from the Agency-wide financial statements because it cannot use these assets to finance its operations.

TOWN OF NORTH HEMPSTEAD COMMUNITY DEVELOPMENT AGENCY  
Management's Discussion and Analysis, Continued

FINANCIAL ANALYSIS OF THE AGENCY AS A WHOLE

Changes in Net Assets

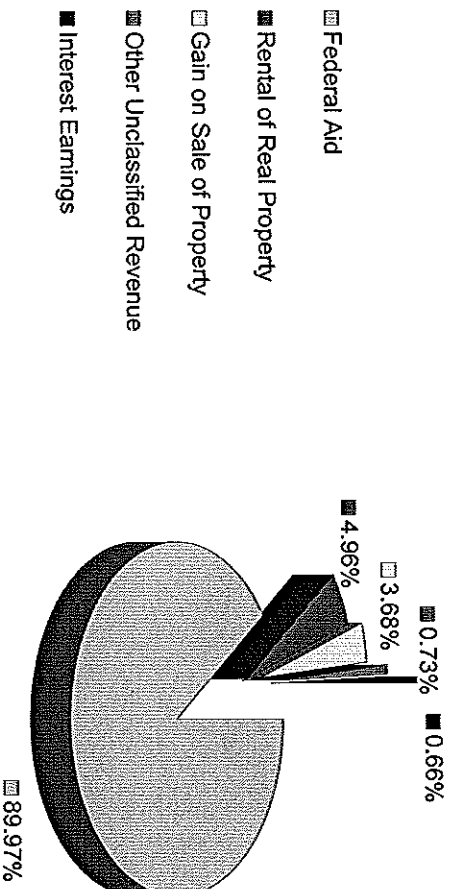
The Agency's beginning net assets were decreased by \$465 thousand to reflect an adjustment for property acquired for redevelopment that had been transferred to developers in prior years with a revised balance of \$3.470 million. The revised net assets at the beginning of the year were \$3.424 million.

The Agency's net assets increased by \$309 thousand or 9% for the year ended December 31, 2008.

The Agency's 2008 revenue totaled \$1.058 million, an increase of \$137 thousand or 14.9% when compared to total revenue for 2007. Additionally, a gain on the sale of real property totaling \$41 thousand was recorded in 2008 compared to a loss in 2007 of \$230 thousand. The revenue increase was primarily due to an increase of \$374 thousand in Federal Aid offset by the nonrecurrence of 2007 Nassau County reimbursement grant for \$150 thousand. There was no such grant or program activity in 2008.

The cost of all programs and services totaled \$790 thousand for fiscal year 2008, a decrease of \$68 thousand or 7.9% when compared to total expenditures for 2007. The decrease occurred in the areas of public facilities improvements and economic development of the New Cassel project area.

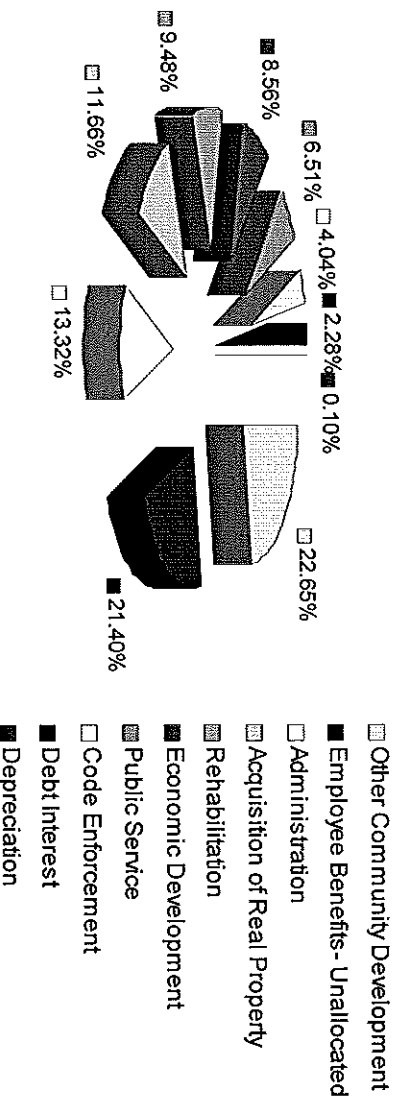
**Table A-2 - Revenues and Other Sources  
for the year ended December 31, 2008**



# TOWN OF NORTH HEMPSTEAD COMMUNITY DEVELOPMENT AGENCY

## Management's Discussion and Analysis, Continued

**Table A-3 - Expenditures  
for the year ended December 31, 2008**



### Governmental Activities

Revenue for the Agency's governmental activities were consistent with the Agency-wide operating results. Governmental expenditures exceed Agency-wide expenditures due principally to capital related items for real property acquisition/disposition programs.

The primary program activities of the Agency included:

- Acquisition of real property
- Rehabilitation
- Public service
- Code enforcement
- Economic development

Substantially all of the Agency's revenue is generated through Community Development Block Grant programs established by the U.S. Department of Housing and Urban Development, as administered by the County of Nassau, Office of Housing & Intergovernmental Affairs.

### FINANCIAL ANALYSIS OF THE AGENCY'S FUNDS

Variances between years for the governmental fund financial statements are not the same as variances between years for the Agency-wide financial statements. The Agency's governmental funds are presented using a current financial resources measurement focus on the modified accrual basis of accounting. Based on this presentation, governmental funds do not include long-term debt liabilities for the funds' projects and capital assets purchased by the funds. Governmental funds will include the proceeds received from the issuance of debt, the current payments for capital assets and the current payments for debt.



## TOWN OF NORTH HEMPSTEAD COMMUNITY DEVELOPMENT AGENCY

### Management's Discussion and Analysis, Continued

Total assets of the general fund increased from \$2.597 million in 2007 to \$2.633 million in 2008. The overall increase was due to an increase in federal aid receivable and commercial loan receivables.

Total liabilities of the general fund increased from \$1.383 million in 2007 to \$1.398 million in 2008. The increase is due primarily to a increase in deferred revenues related to commercial loan receivables.

#### CAPITAL ASSETS AND LONG-TERM DEBT

##### Capital Assets

As of December 31, 2008, the Agency had invested \$3.843 million in property acquired for redevelopment and \$480 in equipment, net of accumulated depreciation.

##### Long-Term Obligations

As of December 31, 2008, the Agency's long-term obligations consisted of a long-term borrowing from the Town of North Hempstead of \$1.2 million plus accrued interest totaling \$45 thousand, compensated absences obligations of \$36 thousand and post-employment benefits of \$64 thousand.

#### FACTORS BEARING ON THE FUTURE OF THE AGENCY

The future success of the Agency and its' programs are generally dependent on the continuing availability of funding from the U.S. Department of Housing and Urban Development.

#### CONTACTING THE AGENCY'S FINANCIAL MANAGEMENT

This financial report is designed to provide the Agency's citizens and creditors with a general overview of the Agency's finances and to demonstrate the Agency's accountability for the money it receives. If you have any questions about this report or need additional financial information, please contact:

Town of North Hempstead Community Development Agency  
51 Orchard Street  
Roslyn Heights, New York 11577-1326  
(516) 869-7670

TOWN OF NORTH HEMPSTEAD COMMUNITY DEVELOPMENT AGENCY  
Statement of Net Assets  
December 31, 2008

	General fund	Adjustments	Statement of net assets
<u>Assets</u>			
Current assets:			
Cash and equivalents	\$ 813,667	-	813,667
Receivables:			
Federal aid	775,716	-	775,716
Residential rehab loans	897,820	-	897,820
Commercial rehab loans	145,444	-	145,444
Total receivables	<u>1,818,980</u>	-	<u>1,818,980</u>
Total current assets	2,632,647	-	2,632,647
Capital assets, net of accumulated depreciation of \$82,907	-	<u>3,843,499</u>	<u>3,843,499</u>
Total assets	<u>\$ 2,632,647</u>	<u>3,843,499</u>	<u>6,476,146</u>
<u>Liabilities and Net Assets</u>			
Current liabilities:			
Payables:			
Due to the Town of North Hempstead	340,000	-	340,000
Accounts payable	14,908	-	14,908
Deferred revenue	1,043,264	-	1,043,264
Total current liabilities	<u>1,398,172</u>	-	<u>1,398,172</u>
Noncurrent liabilities:			
Loan - Town of North Hempstead	-	1,245,200	1,245,200
Compensated absences	-	35,748	35,748
Postemployment benefits	-	64,090	64,090
Total noncurrent liabilities	<u>-</u>	<u>1,345,038</u>	<u>1,345,038</u>
Total liabilities	<u>1,398,172</u>	<u>1,345,038</u>	<u>2,743,210</u>
Net assets:			
Investment in capital assets, net of related debt	-	2,303,499	2,303,499
Unrestricted net assets	<u>1,234,475</u>	<u>194,962</u>	<u>1,429,437</u>
Total net assets	<u>1,234,475</u>	<u>2,498,461</u>	<u>3,732,936</u>
Total liabilities and net assets	<u>\$ 2,632,647</u>	<u>3,843,499</u>	<u>6,476,146</u>

See accompanying notes to financial statements.

TOWN OF NORTH HEMPSTEAD COMMUNITY DEVELOPMENT AGENCY  
Statement of Activities  
Year ended December 31, 2008

	General <u>fund</u>	<u>Adjustments</u>	Statement of <u>activities</u>
Revenue:			
Federal aid	\$ 988,653	-	988,653
Use of money and property	61,741	-	61,741
Sale of real property	140,541	(140,541)	-
Other revenue	8,023	-	8,023
Total revenue	<u>1,198,958</u>	<u>(140,541)</u>	<u>1,058,417</u>
Expenditures:			
Personal services and benefits	380,902	65,837	446,739
Equipment and capital outlay	472,961	(472,961)	-
Contractual and other expenditures	324,442	-	324,442
Interest expense	-	18,000	18,000
Depreciation	-	791	791
Total expenditures	<u>1,178,305</u>	<u>(388,333)</u>	<u>789,972</u>
Excess of revenue over expenditures	20,653	247,792	268,445
Other sources - gain on sale of property	-	40,541	40,541
Excess of revenue and other sources over expenditures	<u>20,653</u>	<u>288,333</u>	<u>308,986</u>
Net assets at beginning of year, as previously stated	1,213,822	2,674,659	3,888,481
Prior period adjustment	-	(464,531)	(464,531)
Net assets at beginning of year, as restated	<u>1,213,822</u>	<u>2,210,128</u>	<u>3,423,950</u>
Net assets at end of year	<u>\$ 1,234,475</u>	<u>2,498,461</u>	<u>3,732,936</u>

See accompanying notes to financial statements.

TOWN OF NORTH HEMPSTEAD COMMUNITY DEVELOPMENT AGENCY  
Reconciliation of Governmental Fund Balance Sheet  
to Statement of Net Assets  
December 31, 2008

Amounts reported for governmental activities in the statement of net assets are different because:

Total fund balance - governmental funds	\$ 1,234,475
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	
Amount is net of accumulated depreciation	3,843,499
Interest accrued on long-term debt does not require current financial resources and therefore, is not reported as a liability in the governmental funds.	(45,200)
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds:	
Compensated absences	\$ 35,748
Postemployment benefits	64,090
Loan - Town of North Hempstead	<u>(1,299,838)</u>
Total net assets - governmental activities	<u>\$ 3,732,936</u>

See accompanying notes to financial statements.

TOWN OF NORTH HEMPSTEAD COMMUNITY DEVELOPMENT AGENCY  
Balance Sheet - Governmental and Fiduciary Funds  
December 31, 2008

	General <u>Fund</u>	Agency <u>Fund</u>
Assets:		
Cash and equivalents	\$ 813,667	50,665
Receivables:		
Federal aid	775,716	-
Residential rehab loans	897,820	-
Commercial rehab loans	<u>145,444</u>	<u>-</u>
Total assets	<u>\$ 2,632,647</u>	<u>50,665</u>
Liabilities and Fund Equity:		
Liabilities:		
Due to the Town of North Hempstead	340,000	-
Accounts payable	14,908	50,665
Deferred revenue	<u>1,043,264</u>	<u>-</u>
Total liabilities	1,398,172	50,665
Fund equity - fund balance - unreserved	<u>1,234,475</u>	<u>-</u>
Total liabilities and fund equity	<u>\$ 2,632,647</u>	<u>50,665</u>

See accompanying notes to financial statements.

TOWN OF NORTH HEMPSTEAD COMMUNITY DEVELOPMENT AGENCY  
Statement of Revenue, Expenditures, and  
Changes in Fund Balance - Governmental Fund  
Year ended December 31, 2008

Revenue:	
Federal aid	\$ 988,653
Use of money and property:	
Interest earnings	7,271
Rental of real property	54,470
Sale of real property	140,541
Other revenue	<u>8,023</u>
Total revenue	<u>1,198,958</u>
Expenditures:	
Acquisition of real property	565,058
Code enforcement	31,912
Rehabilitation	74,869
Public service	51,439
Administration	105,229
Economic development	67,625
Other community development	178,932
Employee benefits - unallocated	<u>103,241</u>
Total expenditures	<u>1,178,305</u>
Excess of revenue over expenditures	20,653
Fund balance at beginning of year	<u>1,213,822</u>
Fund balance at end of year	<u><u>\$ 1,234,475</u></u>

See accompanying notes to financial statements.

TOWN OF NORTH HEMPSTEAD COMMUNITY DEVELOPMENT AGENCY  
Reconciliation of Statement of Revenue, Expenditures and Changes in  
Fund Balance - Governmental Fund to Statement of Activities  
Year ended December 31, 2008

Net change in fund balance - governmental funds	\$ 20,653
Amounts reported for governmental activities in the statement of activities are different because:	
Accrued interest on long-term debt for governmental activities is not a use of current financial resources and therefore is not recorded in the governmental funds.	(18,000)
Governmental funds report capital outlays as expenditures. This is the amount expended in the governmental funds for capital assets in the period.	472,961
Sale of real property is recorded in the governmental funds without regard to the cost of the property sold used in determining the on sale of property in the statement of activities.	(100,000)
Depreciation expense on capital assets is reported in the government- wide statement of activities and changes in net assets, but does not require the use of current financial resources. Therefore, depreciation expense is not reported as an expenditure in governmental funds.	(791)
Changes in compensated absence liability is reported as an increase or decrease of salary in the statement of activities and changes in net assets, but does not involve the use of current resources. Therefore it is not reported as expenditures in the governmental funds.	(1,747)
Changes in other post-employment liabilities is reported as an increase in salaries and benefits in the statement of activities and in net assets, but does not involve the use of current resources. Therefore it is not reported as an expenditures in the funds.	(64,090)
Total change in net assets of governmental activities	\$ 308,986

See accompanying notes to financial statements.

TOWN OF NORTH HEMPSTEAD  
COMMUNITY DEVELOPMENT AGENCY

Notes to Financial Statements

December 31, 2008

(1) Summary of Significant Accounting Policies

The accompanying financial statements of the Town of North Hempstead Community Development Agency (the Agency) have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. Significant government accounting policies are described below.

(a) Financial Reporting Entity

The Town of North Hempstead Community Development Agency was established in 1967 as the Urban Renewal Agency of the Town of North Hempstead (the Town) under the general laws of the State of New York and various local laws. In 1978, its name was changed to its present designation. The Agency is a public benefit corporation created by state legislation to promote the safety, health, and welfare of the Town's inhabitants and to promote the sound growth and development of the Town. The Board of Directors is the legislative body responsible for overall operations. The Executive Director serves as the chief executive officer and the financial officer.

The Agency provides a full range of community development services including construction of affordable housing, residential and commercial land acquisition, code enforcement services, public facility improvements and assistance to public service organizations.

The accompanying financial statements include all of the funds of the Agency. Activities considered to be part of the Agency have been determined by the application of criteria set forth in GASB Statement No. 14 - "The Financial Reporting Entity."

The Agency is a component unit of the Town of North Hempstead, the primary reporting entity, under the criteria set forth in GASB Statement No. 14. The basic, but not the only criterion for inclusion in the Town's financial statements is that the Town is finally accountable for the legally separate Community Development Agency because it appoints the Board of Directors, the governing body of the Agency, and there is a potential for the Agency to provide specific financial benefits to, or impose financial burdens on, the Town.

(b) Basis of Presentation

Government wide statements - the statement of net assets and the statement of activities present financial information about the Agency's governmental activities. These statements include the financial activities of the overall government in its entirety, except those that are fiduciary. Eliminations have been made to minimize the double counting of internal transactions.



TOWN OF NORTH HEMPSTEAD  
COMMUNITY DEVELOPMENT AGENCY

Notes to Financial Statements, Continued

(1) Summary of Significant Accounting Policies, Continued

(b) Basis of Presentation, Continued

The statement of activities presents a comparison between direct expenses and program revenues for each function of the Agency's governmental activities. Direct restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues are presented as general revenues.

Fund financial statements - the Agency uses funds to report on its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

The fund statements provide information about the Agency's funds, including fiduciary funds. Separate statements for each fund category (governmental and fiduciary) are presented. The Agency's major governmental fund is displayed in a separate column.

The Agency records its transactions in the fund types described below:

Governmental funds - are those through which most governmental functions are financed. The acquisition, use and balances of expendable financial resources and the related liabilities are accounted for through governmental funds. The measurement focus of the governmental funds is based on the determination of financial position and changes in financial position (the sources, uses and balances of current financial resources). The following is the Agency's governmental fund type:

General Fund - This is the Agency's primary operating fund. It accounts for all financial transactions that are not required to be accounted for in another fund.

Fiduciary funds - are used to account for assets held by the Agency in a trustee or custodial capacity. The Agency's fiduciary fund type is the Agency Fund. Fiduciary activities are those in which the Agency acts as trustee or agent for resources that belong to others. These activities are not included in the Agency-wide financial statements, because their resources do not belong to the Agency, and are not available to be used.

(c) Basis of Accounting/Measuring Focus

The Agency-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash transaction takes place. Nonexchange transactions, in which the Agency gives or receives value without directly receiving or giving equal value in exchange, include grants and donations. On an accrual basis, revenue from grants is recognized in the fiscal year in which all eligibility requirements have been satisfied.

TOWN OF NORTH HEMPSTEAD  
COMMUNITY DEVELOPMENT AGENCY  
Notes to Financial Statements, Continued

(1) Summary of Significant Accounting Policies, Continued

(c) Basis of Accounting/Measuring Focus, Continued

The governmental fund statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The Agency considers all revenues reported in the governmental funds to be available if the revenues are collected within a reasonable period of time after the end of the fiscal year. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

The fiduciary funds are reported on the cash basis of accounting. Under this method assets and liabilities are recognized upon receipt of the asset giving rise to the fiduciary liability.

(d) Assets, Liabilities, and Fund Equity

Cash - The Agency pools cash resources of all funds in order to facilitate the management of cash. Cash applicable to a particular fund is readily identifiable. The balance in the pooled cash accounts is available to meet current operating requirements. Cash in excess of current requirements is invested in various interest-bearing accounts and is disclosed as part of the Agency's cash and equivalents.

Loans Receivable - All loans receivable are reported at their gross value and are secured by liens filed against various residential and commercial properties.

Investments - The Agency's investment policies are governed by Federal and New York State statutes. The Agency also has a written policy which restricts investments to cash and cash equivalents, including money market funds, certificates of deposits and United States Treasury notes, bills, and bonds. Investments are stated at cost or amortized cost, whichever most approximates market value.

The Agency's management has the authority to implement the Agency's investment policies. The Agency requires the Trust Department of each bank at which cash has been deposited to collateralize the Federally uninsured balances by pledging short-term United States Treasury or New York State municipal securities. Measures are taken by the Agency to ensure that the market value of such collateral is equal to or greater than the value of the related investment.

Capital Assets - The purchase method is used to account for land acquired for development. Under the purchase method, the cost of land is recorded as an expenditure when the property is acquired. Land acquired for development is not depreciated.

Property, plant, and equipment are stated at cost and include all capital assets in excess of \$500. Where cost could not be determined from the available records, estimated historical cost was used to record the estimated value of the assets.

TOWN OF NORTH HEMPSTEAD  
COMMUNITY DEVELOPMENT AGENCY  
Notes to Financial Statements, Continued

(1) Summary of Significant Accounting Policies, Continued

(d) Assets, Liabilities, and Fund Equity

Depreciation is recorded on the straight line method over the respective lives of the various assets.

Other Assets - Other assets held are recorded and accounted for at cost.

Fund Balance - The unreserved fund balance for governmental funds represents the amount available for budgeting future operations.

Net Assets - In the Agency-wide statements, there are two classes of net assets:

Invested in capital assets, net of related debt - consists of net capital assets (cost less accumulated depreciation) reduced by outstanding balances of related debt obligations from the acquisition, construction or improvement of those assets.

Unrestricted - reports all other net assets that do not meet the above classification and are deemed to be available for general use by the Agency.

Total fund balance of the Agency's governmental funds differs from "net assets" of governmental activities reported in the statement of net assets. This difference primarily results from the additional long-term focus of the statement of net assets versus the solely current financial resource focus of the governmental funds balance sheet.

(e) Expenditures

Compensated Absences - vested or accumulated vacation or sick leave of governmental funds that is expected to be liquidated with expendable available financial resources is reported as an expenditure and a fund liability of the respective fund that will pay it. In accordance with the provisions of GASB Statement No. 16 - "Accounting for Compensated Absences" no liability is recorded for non-vesting accumulating rights to receive sick pay benefits.

Employees of the Agency may carry over unused vacation, personal and sick days as stipulated by various union contracts. The Agency's union employees are granted vacation and sick leave and earn compensatory absences in varying amounts. In the event of termination or upon retirement, an employee is entitled to payment for accumulated vacation and personal leave and unused compensatory absences at various rates subject to certain maximum limitations.

(f) Use of Estimates

A number of estimates and assumptions relating to the reporting of revenues, expenditures, assets and liabilities and disclosure of contingent liabilities were used to prepare these financial statements in conformity with accounting principles generally accepted in the United States of America. Actual results could differ from those estimates.

TOWN OF NORTH HEMPSTEAD  
COMMUNITY DEVELOPMENT AGENCY  
Notes to Financial Statements, Continued

(2) Stewardship, Compliance, and Accountability

The Agency prepares budgets for its block grant and administration expenses. The Agency's management accumulates budgetary data and submits a tentative administrative budget to the Agency's Board of Directors during or before January of each year. A public hearing is held for the purpose of discussing the proposed block grant budget, prior to the end of March of each year. The Agency then submits this budget in the form of an application to the Nassau County Office of Housing and Intergovernmental Affairs (Nassau County) for its approval subject to changes. On or before June 18th, Nassau County approves the allotment for the program year which is then officially accepted by the Agency's Board of Directors. The Board then approves the administrative budget based on the allotment. The Agency's Board of Directors is authorized to enter into amendatory agreements with Nassau County and empower the Agency to transfer or increase grant amount with in the block grant categories.

The block grant funds are budgeted on a project basis as of September 1 of each year. The expenditures for projects may extend over several fiscal years. A combined comparison of those budgets to actual revenues and expenditures is not considered meaningful and, therefore, has not been included in the accompanying financial statements.

(3) Detail Notes on all Funds and Account Groups

(a) Cash and Equivalents

At December 31, 2008, cash and equivalents consist of the following:

Checking accounts - unrestricted	\$ 134,064
Money market - unrestricted	679,103
Checking accounts - restricted	50,665
Petty cash	<u>500</u>
Cash and equivalents	\$ <u>864,332</u>

As of December 31, 2008 the bank balances are insured by the Federal Deposit Insurance Corporation (FDIC) or collateralized with the securities held by its agent in the name of the Agency.

(b) Investments

The Agency had no investments at December 31, 2008 or at anytime during the year.

TOWN OF NORTH HEMPSTEAD  
COMMUNITY DEVELOPMENT AGENCY  
Notes to Financial Statements, Continued

(3) Detail Notes on all Funds and Account Groups, Continued

	As restated			
	January 1, <u>2008</u>	<u>Additions</u>	<u>Reductions</u>	December 31, <u>2008</u>
<u>(c) Capital Assets</u>				
Property acquired				
for redevelopment	\$ 3,470,058	472,961	100,000	3,843,019
Equipment	<u>83,387</u>	<u>-</u>	<u>-</u>	<u>83,387</u>
Less accumulated				
depreciation	<u>(82,116)</u>	<u>(791)</u>	<u>-</u>	<u>(82,907)</u>
Capital assets, net	\$ <u>3,471,329</u>	<u>472,170</u>	<u>100,000</u>	<u>3,843,499</u>

(d) Restatement

In 2008, it was determined that certain costs associated with property acquired for redevelopment that had been transferred to developers prior to 2008 had not been removed from the capital assets of the Agency. The beginning balances for capital assets and net assets were each decreased by \$464,531 to remove these costs.

(e) Retirement System

The Agency participates in the New York State and Local Employees Retirement System (ERS) referred to herein as the System. This is a cost-sharing multiple-employer retirement system. The System provides retirement benefits, as well as death and disability benefits. Obligations of employers and employees to contribute and benefits to employees are governed by the New York State Retirement and Social Security Law (NYSRSSL). As set forth in the NYSRSSL, the Comptroller of the State of New York (Comptroller) serves as sole trustee and administrative head of the System. The Comptroller shall adopt and may amend rules and regulations for the administration and transaction of the business of the System and for the custody and control of their funds. The system issued a publicly available financial report has included financial statements and required supplementary information. The report may be obtained by writing the New York State and Local Retirements Systems, 110 State Street, Albany, New York, 12244.

Funding Policy - The System is noncontributory except for employees who joined the New York State and Local Employee's Retirement System after July 27, 1976 who contribute 3% of their salary for the first ten years of membership. Under the authority of the NYSRSSL, the Comptroller annually certifies the rates expressed used in computing the employers' contributions. The required contributions for the current year and two preceding years were as follows:

TOWN OF NORTH HEMPSTEAD  
COMMUNITY DEVELOPMENT AGENCY  
Notes to Financial Statements, Continued

(3) Detail Notes on all Funds and Account Groups, Continued

(e) Retirement System, Continued

<u>Year</u>	<u>Annual contribution</u>	<u>Interest and amortization</u>	<u>Total annual payment</u>
2008	\$ 18,778	(19)	18,759
2007	20,452	1,033	21,485
2006	<u>19,900</u>	<u>(8,167)</u>	<u>11,733</u>

Since 1989, the System's billings have been based on Chapter 62 of Laws of 1989 of the State of New York. This legislation requires participating employers to make payments on a current basis, while amortizing existing unpaid amounts relating to the System's fiscal years ended March 31, 1988 and 1989 (which otherwise were to have been paid on June 30, 1989 and 1990, respectively) over a 17-year period, with an 8.75% interest factor added. Local governments were given the option to prepay this liability. There was no unpaid liability at the end of the fiscal year 2008.

Chapter 260 of the Laws of New York State changed the annual payment due date for employers who participate in the New York State and Local Employees' Retirement System. The December 15 payment due date changed to February 1. The covered salary period (April 1 - March 31) was not changed for the calculation.

(f) Long-Term Debt

A summary of changes in long-term debt transactions for the year ended December 31, 2008 is as follows:

	Balance at January 1, 2008	Additions	Reductions	Balance at December 31, 2008
Loan - Town of North Hempstead:				
Principal	\$ 1,200,000	-	-	1,200,000
Accrued interest at 1.5%	27,200	18,000	-	45,200
Compensated absences	<u>34,001</u>	<u>33,194</u>	<u>(31,447)</u>	<u>35,748</u>
	\$ 1,261,201	51,194	(31,447)	1,280,948

The Agency borrowed the \$1,200,000 to purchase property at 142 Magnolia Avenue, Westbury, for the development of a community center. If the Agency does not repay the loan with accrued interest it must transfer its fee simple interest in the property to the Town. Accrued interest of \$45,200 is recorded in the statement of net assets at December 31, 2008.

(g) Due to the Town of North Hempstead - Current

The Agency has a \$340,000 non-interest bearing demand loan with the Town of North Hempstead. The loan is payable on demand and reported as a current liability at December 31, 2008.

TOWN OF NORTH HEMPSTEAD  
COMMUNITY DEVELOPMENT AGENCY  
Notes to Financial Statements, Continued

(3) Detail Notes on all Funds and Account Groups, Continued

(h) Deferred Revenue

Deferred revenue includes the residential and commercial loans which are collectible in the future. The Agency makes loans and grants under two programs:

- Deferred payment loans (DPL) - These loans are made to low income families and are secured by a mortgage or deed of trust. DPL's are payable upon the sale of the residential property or upon the death of the owner.
- Commercial loans - These loans are made to owners of business properties to improve their buildings and increase their working capital.

(i) Other Revenue

The amount of other revenue received for the year ended December 31, 2008 was as follows:

Reimbursement of prior year expenditures	\$ 3,488
Retiree share of health insurance	<u>4,535</u>
Total other revenue	<u>\$ 8,023</u>

(j) Other Postemployment Benefits

In the government-wide financial statements, the cost of postemployment healthcare benefits, like the cost of pension benefits, generally should be recognized in the periods in which services are rendered, rather than in future year when it will be paid. In adopting the requirements of GASB Statement No. 45, - "Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions" effective for its fiscal year beginning January 1, 2008, the Agency began to recognize the costs of postemployment healthcare in the year when the employee services are received and provide information useful in assessing potential demands on the Agency's future cash flows. Recognition of the existing liability accumulated from prior years will be phased in over 30 years commencing in 2008.

Plan Description - The Agency, as a single-employer defined benefit plan, per its contracts with employees, pays the full premium costs for the medical and prescription drug benefits provided through the New York State Health Insurance Program (NYSHIP). Active and retired employees of the Agency have the Empire PPO plan (Core Plus Enhancements). The Empire plan has separate pre-Medicare and Medicare rates. Since these plans are community rated, retiree claim costs are based on the actual rates without adjustment for age. Retiree claim costs are equal to the individual rate plus NYSHIP Empire plan administrative fees. Spouse claim costs are equal to the family rate less the individual rate. For 2008, the Medicare Part B premium for Medicare eligibles was reimbursed at \$96.40 per month. Upon death of a retiree the spouse may continue to receive coverage but must pay half of the premium. Substantially all of the Agency's employees may become eligible for these benefits if they reach age 55 and attained 5 years of service, while working for the Agency.

TOWN OF NORTH HEMPSTEAD  
COMMUNITY DEVELOPMENT AGENCY  
Notes to Financial Statements, Continued

(3) Detail Notes on all Funds and Account Groups, Continued

(i) Other Postemployment Benefits, Continued

The number of participants as of January 1, 2008 was as follows:

Active employees	3
Retired members	3
Spouses of deceased retirees	1
Total	<u>7</u>

Funding Policy - The Agency currently pays for post-retirement health care benefits on a pay-as-you-go basis. These financial statements assume that pay-as-you-go funding will continue.

Benefit Obligations and Normal Costs

Actuarial Accrued Liability (AAL):

Retired employees	\$ 253,000
Active employees	<u>401,200</u>
Total Actuarial Accrued Liability	654,200
Actuarial value of plan assets	<u>-</u>
Underfunded Actuarial Accrued Liability (UAAL)	\$ <u>654,200</u>
Funded ratio	<u>0%</u>
Covered payroll	\$ <u>244,732</u>
UAAL as a percentage of covered payroll	<u>267.31%</u>
Normal Costs at beginning of year	\$ <u>45,100</u>

Level Dollar Amortization

Calculation of ARC under projected Unit Credit Method:

Amortization of UAAL over 30 years with interest to end of year	\$ 36,400
Normal Costs with interest to end of year	<u>45,100</u>
Annual Required Contribution (ARC)	\$ <u>81,500</u>

Annual OPEB Cost Contribution

Contribution for the year ended December 31, 2008	\$ 17,410
Contribution as a percentage of required contribution	21.4%



TOWN OF NORTH HEMPSTEAD  
COMMUNITY DEVELOPMENT AGENCY  
Notes to Financial Statements, Continued

(3) Detail Notes on all Funds and Account Groups, Continued

(i) Other Postemployment Benefits, Continued

<u>Annual OPEB Cost and Net OPEB Obligation</u>		
Annual required contribution		\$ 81,500
Interest on net OPEB obligation		-
Adjustment to annual required contribution		-
Annual OPEB cost (expense)		81,500
Contribution made on a pay-as-you-go basis		<u>17,410</u>
Increase in net OPEB obligation		64,090
Net OPEB obligation at beginning of year		-
Net OPEB obligation at end of year		\$ <u>64,090</u>
Actuarial methods and assumptions:		
Funding interest rate (Assuming benefits are not prefunded)	4.0%	
2008 Medical trend rate	9.5%/10.5%/5.0%	
Ultimate trend rate	5.0%	
Year Ultimate trend rate rendered	2017/2019/2009	
Annual payroll growth rate	-	
Actuarial cost method	Projected Unit Credit	
The remaining amortization period at December 31, 2008	29 years	

(k) Contingencies

The Agency has received significant federal funding which is subject to audit by agencies of the state and federal governments. Such audits may result in disallowance and a request for a return of funds to the federal and state governments. Based on past audits, management believes disallowances, if any, would be immaterial.

TOWN OF NORTH HEMPSTEAD  
COMMUNITY DEVELOPMENT AGENCY

Single Audit Report

December 31, 2008

(With Independent Auditors' Report Thereon)

TOWN OF NORTH HEMPSTEAD  
COMMUNITY DEVELOPMENT AGENCY

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\* \* \* \*

TOSKI, SCHAEFER & CO., P.C.

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INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS  
APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER  
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

The Board of Directors  
Town of North Hempstead  
Community Development Agency:

Compliance

We have audited the compliance of the Town of North Hempstead Community Development Agency (the Agency) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to its major federal program for the year ended December 31, 2008. The Agency's major federal program is identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the Agency's management. Our responsibility is to express an opinion on the Agency's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Agency's compliance with those requirements and performing such other procedures, as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the Town of North Hempstead Community Development Agency's compliance with those requirements.

In our opinion, the Agency complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended December 31, 2008.

### Internal Control Over Compliance

The management of the Agency is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the Agency's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Agency's internal control over compliance.

A control deficiency in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

### Schedule of Expenditures of Federal Awards

We have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Town of North Hempstead Community Development Agency as of and for the year ended December 31, 2008, and have issued our report thereon dated May 8, 2009. Our audit was performed for the purpose of forming our opinions on the financial statements that collectively comprise the Agency's basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

This report is intended solely for the information of the Agency Board of Directors, management and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Tokki, Schneider & Co, P.C.*

Williamsville, New York  
May 8, 2009

# TOWN OF NORTH HEMPSTEAD COMMUNITY DEVELOPMENT AGENCY

## Schedule of Expenditures of Federal Awards

Year ended December 31, 2008

<u>Program Title</u>	Pass-through entity identifying		
	CFDA <u>Federal</u>	Grant <u>Number</u>	<u>Expenditures</u>
Department of Housing and Urban Development - Passed-through Nassau County, New York - Community Development Block Grant	14.218	N/A	<u>\$ 2,093,752</u>

# TOWN OF NORTH HEMPSTEAD COMMUNITY DEVELOPMENT AGENCY

## Notes to Schedule of Expenditures of Federal Awards

December 31, 2008

### (1) Basis of Presentation

#### (a) Reporting Entity

The accompanying schedule of expenditures of federal awards presents the activity of federal financial assistance programs administered by the Town of North Hempstead Community Development Agency (the Agency), an entity as defined in the notes to the basic financial statements.

#### (b) Pass-Through Programs

Where the Agency receives funds from a government entity other than the federal government (pass-through), the funds are accumulated based upon the Catalog of Federal Domestic Assistance (CFDA) number advised by the pass-through grantor.

Identifying numbers, other than CFDA numbers, which may be assigned by pass-through grantors are not maintained in the Agency's financial management system.

### (2) Basis of Accounting

The schedule of expenditures of federal awards is presented on the modified accrual basis of accounting and the amounts presented are derived from the Agency's records.

### (3) Indirect Costs

Indirect costs are included in the reported expenditures to the extent such costs are included in the Federal financial reports used as the source for the data presented.

### (4) Matching Costs

Matching costs (i.e., the Agency's share of certain program costs) are not included in the schedule of expenditures of federal awards.

TOWN OF NORTH HEMPSTEAD COMMUNITY DEVELOPMENT AGENCY  
Schedule of Findings and Questioned Costs  
Year ended December 31, 2008

Part I. - SUMMARY OF AUDITORS' RESULTS

Financial Statements:

Type of auditors' report issued:

Unqualified

Internal control over financial reporting:

1. Material weakness(es) identified? \_\_\_ Yes    x \_\_\_ No
2. Significant deficiency(ies) identified not considered to be material weakness(es)? \_\_\_ Yes    x \_\_\_ No
3. Noncompliance material to financial statements noted? \_\_\_ Yes    x \_\_\_ No

Federal Awards:

Internal control over major programs:

4. Material weakness(es) identified? \_\_\_ Yes    x \_\_\_ No
5. Significant deficiency(ies) identified not considered to be material weakness(es)? \_\_\_ Yes    x \_\_\_ No

Type of auditors' report issued on compliance for major programs:

Unqualified

6. Any audit findings disclosed that are required to be reported in accordance with OMB Circular A-133 (section .510(a))? \_\_\_ Yes    x \_\_\_ No

7. The Agency's major program audited was:

<u>Name of Federal Program</u>	CFDA
Community Development Block Grant	Number
	14.218

8. Dollar threshold used to distinguish between Type A and Type B programs? \$ 300,000

9. Auditee qualified as low-risk auditee? \_\_\_ x \_\_\_ Yes \_\_\_ No



TOWN OF NORTH HEMPSTEAD COMMUNITY DEVELOPMENT AGENCY  
Schedule of Findings and Questioned Costs, Continued

Part II. - FINANCIAL STATEMENT FINDINGS SECTION

No reportable findings.

Part III. - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS SECTION

No reportable findings.

TOWN OF NORTH HEMPSTEAD COMMUNITY DEVELOPMENT AGENCY

Status of Prior Audit Findings

Year ended December 31, 2008

There were no reportable findings in the prior year financial statements (December 31, 2007).

**TOSKI, SCHAEFFER & CO., P.C.**  
**CERTIFIED PUBLIC ACCOUNTANTS**

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**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL  
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF  
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH  
GOVERNMENT AUDITING STANDARDS**

The Board of Directors  
Town of North Hempstead  
Community Development Agency:

We have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Town of North Hempstead Community Development Agency (the Agency) as of and for the year ended December 31, 2008, which collectively comprise the Agency's basic financial statements and have issued our report thereon dated May 8, 2009, which includes an explanatory paragraph regarding the adoption of GASB Statement No. 45, "Accounting and Financial Reporting by Employers for Postretirement Benefits Other Than Pensions." We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Agency's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Agency's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Agency's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned function, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Agency's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Agency's financial statements that is more than inconsequential will not be prevented or detected by the Agency's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Agency's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

#### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Agency's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing a opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

We noted certain other matters that we reported to management of the Agency in a separate letter dated May 8, 2009.

This report is intended solely for the information and use of the Agency's Board of Directors, management and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*T. J. Schaefer, Esq., P.C.*

Williamsville, New York  
May 8, 2009